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Phillips, Jesse S.

An address delivered before the one hundred...

[New York]

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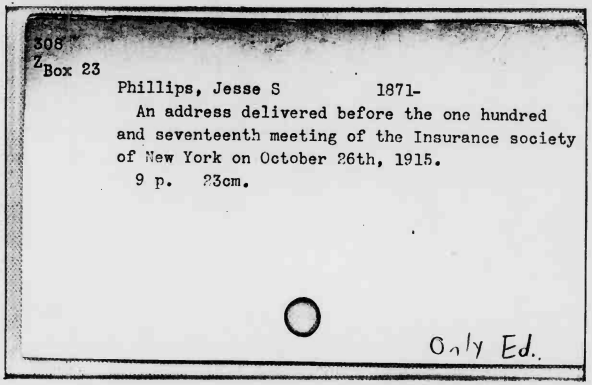
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An address delivered before the one hundred and seventeenth meeting of the Insurance society of New York on October 26th, 1915.
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AN ADDRESS

Delivered before the One Hundred and Seventeenth Meeting

OF

The Insurance Society of New York

ON

October 26th, 1915

BY

Hon. Jesse S. Phillips

Superintendent of Insurance of the State of New York

Mr. Chairman and Members of the Insurance Society:

Your Chairman, as he has well stated, was good enough to say to me in response to the protestations which I made when he asked me to speak on this occasion, that I need not feel—and these are his exact words—that I need not feel that too much was expected of me in the way of an address. Gentlemen, for your sake and for mine, I am exceedingly thankful for that thoughtful consideration.

It is unnecessary for me to say to you that in the short period during which I have endeavored to perform the duties of Superintendent of Insurance, the greater portion of my time has been occupied with the work of the Constitutional Convention. After that Convention had finished its work I was absent nearly a month in attendance upon the annual meeting of the National Convention of Insurance Commissioners.

You can, therefore, realize the demands which have been made upon my time have been such that I have been unable to carefully prepare an address which would be worthy of your consideration. But your Chairman has been good enough to state that your courteous invitation was extended to me for the purpose of meeting you gentlemen and becoming acquainted, and I am frank to say that it is in that spirit I am here to-night.

Indeed, I think that with the meagre experience which I have had in connection with matters of insurance supervision, it would not be fitting for me even to attempt seriously to discuss in the presence of you gentlemen the intricate questions relating to the subject of insurance.

I want to say that it is a source of personal gratification to have the privilege of meeting the men of this organization who are actually engaged in, or at least in close touch with, the management and control of the business of insurance—an enterprise which has grown to such enormous proportions and so necessary to the welfare of our people that it is recognized, not merely as a business, but as one of the fixed institutions of our country, and is as necessary to our existence, comfort and happiness as government itself. There is no enterprise I know of which so vitally affects so large a portion of our people as the one in which you are engaged.

I feel confident that you men realize the responsibility which rests upon you, and that you are interested in keeping this important business upon a high plane; that you will gladly lend your support and co-operation to any movement or effort which seeks to bring about better and more economical business methods, or which will tend to erect around your policyholders a more formidable barrier of safety and protection. I take it that such is the object and purpose of your organization.

It is, I believe, a wholesome thing for the public and for the State that organizations such as yours are maintained. I believe they were created and exist for the express purpose of discussing problems relating to your work, and to emphasize a degree of publicity in those things which you regard as necessary in the proper conduct of your business. These organizations, if rightfully directed, are helpful to the supervising agencies of the State. State supervision, my friends, cannot attain the highest pinnacle of success without the active co-operation of those private agencies and of the men who compose their membership—a co-operation which stands for the enforcement of law and a respect for those regulations by the State which are conceded to be not only in the interest of the policyholders, but which will secure to the efficiently managed and safely conducted enterprise the fullest enjoyment of its legitimate efforts. (Applause.)

Governmental control of insurance and regulation of public service corporations is now almost universally accepted as a wise policy and a proper function of government. This principle has attained its highest development within the last decade. True, at first, it was opposed, and violently opposed, by the interests which were sought to be regulated. But now those interests, especially so far as insurance is concerned, welcome it, I believe, as an essential security to their existence. Governmental regulation is the antidote for governmental ownership, and, if properly exercised, will operate as an effective barrier to governmental insurance. Personally, I do not believe either in governmental ownership or governmental insurance. (Applause.)

These are functions which might rather be left to private enterprise and should be exercised only by private corporations, the creatures of the State under proper supervision and regulation. But, my friends, if governmental regulation is to continue as a substitute for governmental ownership of public utility corporations, if it is to be the one obstacle in the path of an embarkation by the State in the field of all classes of insurance,

barring all competitors, such regulation must be efficient and effective. I personally believe that these functions should be exercised by private enterprise, but under strict State supervision and control. There can be no turning backward; there must be maintained a vigilance which will insure honest, fair and impartial, but real, effective supervision. (Applause.)

It shall be my endeavor, so far as lies within my power, to maintain the high standard of efficiency of the New York State Insurance Department—(applause)—which standard of efficiency is, I believe, excelled by no other State insurance department in this country. I can say this all the more freely because I have had nothing whatsoever to do in bringing about this condition, which is the result of the untiring efforts of my predecessors in office, some of whom you have the privilege of seeing before you to-night. (Applause.)

For a number of years I have been a firm believer in the principle of governmental regulation. I believe in a regulation that is effective but not destructive; a regulation which is strict but not oppressive. I believe in a supervision without favoritism, which protects no wrongdoing, but recognizes that insurance companies, honestly and legitimately managed, ought not to be crippled by undue restrictions. (Applause.) I believe that insurance companies are entitled to the same protection under the law as the great mass of the insuring public. All insurance legislation, the enactment of law, the creation and maintenance of departments of control, are primarily for the purpose of furnishing the best protection for the policyholder, and to aid him in securing such protection at the lowest cost consistent with safety.

It must be borne in mind that these laws and State supervising agencies exist also to protect the legitimate enterprise in its efforts to conduct its business upon a sound and economical basis. The duties of a supervising official are mainly fixed by law. As to these, he has no choice but to follow the mandate of the statute. If such laws are unjust or so restrictive as to hamper the development of a safe and lawful business, they should be repealed. And this, my friends, can be best accomplished not by indirection and in secret, but by a frank discussion with the public, if you please, pointing out the evils, if such there are, in any statute, and the harmful effect and unfairness of its operation. Real earnest co-operation between insurance officials and insurance men, and that includes every man who is interested in this great business—I say that real, effective co-operation be-

tween those officials and those men with State departments and legislatures, an open and honest discussion of what is needed, will, in my judgment, always force the repeal of any iniquitous or unreasonable law or the passage of any remedial act. Changes thus wrought will have the support of public opinion.

The supervising officials are vested also with certain discretionary powers. In the exercise of such power, wise discretion and good judgment should always prevail. There should always, to my mind, be prompt action to eradicate evils and abuses wherever they exist. Wrongdoing should be promptly exposed. All of this should be done having constantly in mind the conservation of the interests of the large army of policyholders. But in conserving the interests of the policyholders we should also recognize the fact that insurance companies legitimately and honestly managed are entitled to the same protection under the law as the policyholders and the insuring public. (Applause.) In other words, my conception of the duties of a supervising official is that he should act promptly and effectively where good judgment dictates that action is necessary, but such action should not be attended with any unusual demonstration or unwarranted attacks which may be harmful to the honestly conducted business. (Applause.)

Now I want to say a word to you before closing about the work of the National Convention of Insurance Commissioners. As I stated to you when I began, I attended the meeting of the National Convention of Insurance Commissioners, which was held this year at Monterey, Cal., and I desire, briefly, to refer to the men composing that body and tell you the impressions I received in attending that Convention. Having but recently joined this family of State supervising officials, and not having had heretofore any relationship with the Convention or its membership, I surely cannot be accused of seeking to claim any personal credit for the things which the Convention has accomplished, to some of which I shall presently refer.

In the active practice of my profession and in an altogether too long legislative experience, extending over a period of eleven years, coming in contact with men in nearly every walk of life, I think I may be pardoned if I claim, to a certain extent at least, to have some qualifications which enable me to judge the character and ability of men. There were represented in that Convention which was held at Monterey, thirty-one (31) State supervising departments, excluding the State of New York. And I

want to say to you that in coming in contact with those supervising officials in private conversation, meeting them in committee work, and listening to the discussions upon important topics, I received a most favorable impression of their character and work. The knowledge that these men displayed in discussing the great questions assigned to them, the depth of their research into the subjects under discussion, their familiarity with complicated problems, and their sincerity of purpose, convinced me that these men were eminently fitted for the important positions which they hold. Their thoughts and acts plainly showed an earnest desire for the betterment of insurance conditions. I believe there never was gathered together a more representative body of men, nor a body of men more conscientious in the discharge of their duties, and I pay that tribute because at the outset I was a little prejudiced against this Convention. A few, it is true, may entertain views with which I am not in entire accord, but they are the exception. The insurance public, including both policyholders and companies, are fortunate indeed that men of this type and character are in control of insurance supervision in this country. So long as such men occupy these positions of trust, there may safely be entrusted to them the grave problems which are certain to arise in the future, and there need be no fear of revolution or destruction.

Among those Commissioners are Hardison of Massachusetts (applause), who has honored us with his presence here to-night; Button of Virginia, Mansfield of Connecticut, Young of North Carolina, and a score of others whose long experience, study and thought make them leaders in the field of governmental supervision. They have given their best thought, their time and their talent to the study of problems which vitally affect these great interests, and may we not look to them for guidance in the solution of the questions yet unsolved?

Now let us consider some of the benefits that have been accomplished by this Convention of Insurance Commissioners. You will remember better than I, as this business is new to me, that one of the greatest disadvantages of insurance department supervision in this country, has been the lack of uniformity of the laws in the various States. In my judgment, the National Convention of Insurance Commissioners, more than any other single force in this country, has been instrumental in securing uniformity in legislation and uniformity in regulation. Uniform annual statement blanks, uniform valuation of securities, standard

provisions of life, health and accident policies, and the anti-discrimination laws, are some of the reforms established during the past decade, and nearly all of them are either the product of, or were recommended by, these Commissioners assembled in Convention.

That these accomplishments have been beneficial to the policyholders and to the public, there can be no doubt, but they have been equally beneficial to the insurance companies themselves. It is not so long ago when it was the common practice for four or five State insurance departments to make independent examinations of one company at the same time, each employing a corps of examiners, thus multiplying the expense to be borne by the companies and, of course, ultimately affecting the policyholders. That has all been changed in the last few years. An examination now made by the department of the State in which the company is located, is usually accepted by the department of a sister State, and I am proud to say that New York, because of its influence in the insurance world, and of the character and efficiency of its insurance department, has led the way in making thorough and complete examinations. The acceptance of these examinations, however, by the departments of other States was, in a great measure, due to the influence of the National Convention of Insurance Commissioners.

The all-important question of fire insurance rates has had, as you are aware, the most careful consideration by this Convention, and was a subject of review at the meeting at Monterey. It was apparent that substantially all of the Commissioners had accepted the principle laid down in the New York law, viz., company rate-making associations under State supervision rather than State-made rates. (Applause.)

Inestimable good has followed the activity of the National Board of Fire Underwriters through its Actuarial Committee, in inaugurating a scheme for the classification of experience, and the action of the Convention in accepting and endorsing that plan. (Applause.) My friends, I see in the Convention a potential force for future good which cannot, at present, be properly valued. It is worthy at least of your hearty co-operation in assisting to improve conditions in State supervision and control. I believe there is no factor which will be more important in bringing about uniformity of laws and regulations than the Insurance Commissioners' Convention. It is, in my judgment, the one great factor through which complete uniformity in

insurance legislation, regulation and control in the several States will ultimately be secured. Let us be encouraged, therefore, by the progress of the past, and with the unity of purpose on the part of the company officials and State supervising agencies.

May we not, therefore, my friends, have hope in the progress which has already been made, and let us all lend our support, if you please, to the private agencies, such as this Society and similar societies that are organized for the purpose of discussion of insurance problems, and discussing those questions which will better insurance conditions—and so, may we not co-operate with this Convention and bring about, if you please, a more ideal State supervision and control? I believe that an effective State supervision and control with more uniform legislation and regulation will destroy all demand or necessity for national or federal supervision. (Applause.)

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